The Public Service Group Insurance Fund

Benefits Summary, Auditor's Report and Financial Statements

For the Year Ended April 30, 2005

106-01198/

Public Service Group Insurance Fund
Benefits Summary

The Public Servants Insurance Act provides for the establishment of the Public Service Group Insurance Fund (PSGIF) which is administered by the Civil Service Superannuation Board. The PSGIF includes three plans to provide life insurance, accidental death and disablement insurance and dependents insurance for eligible employees and retired employees (and their eligible dependents) of the Government of Manitoba and most of its Agencies and Boards.

Each of the three Plans is self-funding. Employee, retired employee and employer contributions along with investment income finance all death and disablement claims and administration costs. On the termination of the Policy, payment would be made by the Province of Manitoba to the extent that reserves are insufficient to cover any Policy deficit.

Each of the three Plans is summarized below:

a) **The Employees' Group Life Insurance Plan** (established May 1, 1960)

Most employees join the Plan at the same time they are enrolled in the Civil Service Superannuation Fund Pension Plan. Employees are automatically covered for life insurance coverage of five times annual salary, but may select a lower multiple. The maximum coverage under the plan is $1,000,000. For employees age 65 or more, insurance reduces in five year intervals based on age until age 75, at which time the employee is insured for $4,500.

Reduced life insurance automatically continues following retirement for eligible retired employees, reducing in five year intervals until age 73, at which time the pensioner is insured for $4,500. As an alternative, retired employees can choose a $4,500 paid-up policy at any time prior to age 73.

Eligible employees who retire or terminate employment due to ill health or injury may apply to continue group life (disability) insurance without making further contributions until age 65, at which time retirement insurance options are available.

b) **The Accidental Death and Disablement Plan** (established July 1, 1974)

An eligible employee who is insured under the Employees' Group Life Insurance Plan is automatically enrolled in the Accidental Death and Disablement Plan. This Plan does not insure retired employees.

The amount of accidental death and disablement insurance is based on the employee's annual salary (maximum of $25,000) and insurance class (to a maximum of class three) under the Employees' Group Life Insurance Plan. An employee's maximum insurance is therefore $75,000.

c) **The Dependents' Group Life Insurance Plan** (established May 1, 1962)

An eligible employee who is insured under the Employees' Group Life Insurance Plan may choose insurance coverage on his/her eligible dependents in the Dependents' Group Life Insurance Plan. The employee elects the amount of insurance by choosing from one unit to four units of insurance. An employee with four units of insurance, whose spouse is under age 70, would have the maximum $70,000 of insurance on his/her spouse and $14,000 of insurance on each child.

Eligible retired employees may choose to continue reduced insurance on their dependents following retirement.

Eligible employees who are granted a disability benefit under the Employees' Group Life Insurance Plan also continue to have dependents' group life (disability) insurance at no cost until age 65, when retirement insurance options are available.

MANAGEMENT REPORT

The accompanying financial statements of the Public Service Group Insurance Fund are the responsibility of management and have been prepared in accordance with the accounting policies stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to August 26, 2005.

The firm of Ellement and Ellement Ltd. has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

The Auditor General performs an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the financial statements.

Ultimate responsibility for the financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,

Robert H. Covernton
General Manager

Allen Borle
Director, Finance

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly of Manitoba
To the Board of Directors of the Public Service Group Insurance Fund

We have audited the statement of net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2005 and the statements of changes in net assets available for benefits for the employees' group life insurance plan, the accidental death and disablement plan and the dependents' group life insurance plan for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2005 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
August 26, 2005

Exhibit A

THE PUBLIC SERVICE GROUP INSURANCE FUND
Statement of Net Assets Available for Benefits
As at April 30, 2005

	2005	2004
ASSETS		
Investments, Schedule 1, Note 2(b)	$ 116,371,968	$ 119,536,263
Accrued dividends and interest	827,948	769,382
Due from The Great-West Life Assurance Company, Note 8	2,050,528	-
Due from Canada Life Assurance Company, Note 8	-	2,086,984
Accounts receivable	26,231	28,925
Total assets	**119,276,675**	**122,421,554**
LIABILITIES		
Provision for future claims/liabilities, Schedule 2, Note 4		
Employees' Group Life Insurance Plan	102,288,670	96,974,994
Accidental Death and Disablement Plan	2,769,443	7,031,723
Dependents' Group Life Insurance Plan	4,692,000	3,500,600
Contributions received in advance	500,737	126,665
Accounts payable	3,751,032	75,803
Total liabilities	**114,001,882**	**107,709,785**
NET ASSETS AVAILABLE FOR BENEFITS		
Employees' Group Life Insurance Plan, Exhibit B	963,884	10,224,833
Accidental Death and Disablement Plan, Exhibit C	1,337,339	985,061
Dependents' Group Life Insurance Plan, Exhibit D	2,973,570	3,501,875
Total net assets available for benefits	**$ 5,274,793**	**$ 14,711,769**

Approved on behalf of the Board:

Chairperson of the Board

Chairperson, Finance and Audit Committee

Exhibit B

THE PUBLIC SERVICE GROUP INSURANCE FUND
Employees' Group Life Insurance Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended April 30, 2005

	2005	2004
Increase in assets		
Contributions		
Employees	$ 8,810,532	$ 8,313,402
Employers	2,799,351	2,683,205
Retired members	996,390	923,286
Total contributions	12,606,273	11,919,893
Investment income		
Short term	312,013	372,961
Bond pooled fund	2,223,286	2,412,709
Equity pooled funds	1,570,538	1,080,900
Total investment income	4,105,837	3,866,570
Current period change in fair value of investments	6,056,729	13,133,214
Total increase in assets	**22,768,839**	**28,919,677**
Decrease in assets		
Death claims, Note 2(f)	13,438,384	12,163,044
Change in actuarial provisions, Schedule 2, Note 2(d)	12,720,138	10,769,276
The Civil Service Superannuation Board		
Administration fee	106,064	101,685
Investment management fee	166,376	152,840
Professional fees	48,511	91,758
Insurance carrier expenses, Note 8		
Premium taxes	282,808	253,438
Administrative fees	102,998	93,223
Conversion charges	-	118,725
Risk charges	-	7,150
Stop loss charges	61,643	55,792
Other	1,919	12,455
Total decrease in assets	**26,928,841**	**23,819,386**
(Decrease) increase in net assets	**$ (4,160,002)**	**$ 5,100,291**
Net assets at beginning of year	$ 10,224,833	$ 5,124,542
(Decrease) increase in net assets	(4,160,002)	5,100,291
Employee surplus distribution, Note 6	(5,100,947)	-
Net assets at end of year, Exhibit A	**$ 963,884**	**$ 10,224,833**

Exhibit C

THE PUBLIC SERVICE GROUP INSURANCE FUND
Accidental Death and Disablement Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended April 30, 2005

	2005	2004
Increase in assets		
Contributions, employers	$ 637,207	$ 641,774
Investment income		
Short term	13,463	25,611
Bond pooled fund	117,663	121,669
Equity pooled funds	82,695	54,076
Total investment income	213,821	201,356
Current period change in fair value of investments	325,805	652,237
Total increase in assets	**1,176,833**	**1,495,367**
Decrease in assets		
Death claims, Note 2(f)	75,000	75,000
Change in actuarial provisions, Schedule 2, Note 2(d)	727,221	955,610
The Civil Service Superannuation Board		
Administration fee	5,557	5,064
Investment management fee	8,750	7,652
Professional fees	2,597	4,624
Insurance carrier expenses, Note 8		
Premium taxes	1,539	1,619
Administrative fees	3,422	3,400
Risk charges	-	5,850
Claims charge	369	360
Other	100	626
Total decrease in assets	**824,555**	**1,059,805**
Increase in net assets	**$ 352,278**	**$ 435,562**
Net assets at beginning of year	$ 985,061	$ 549,499
Increase in net assets	352,278	435,562
Net assets at end of year, Exhibit A	**$ 1,337,339**	**$ 985,061**

Exhibit D

THE PUBLIC SERVICE GROUP INSURANCE FUND
Dependents' Group Life Insurance Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended April 30, 2005

	2005	2004
Increase in assets		
Contributions		
Employees	$ 1,748,302	$ 1,753,471
Retired members	274,634	256,493
Total contributions	2,022,936	2,009,964
Investment income		
Short term	26,475	24,852
Bond pooled fund	146,676	149,454
Equity pooled funds	102,908	66,242
Total investment income	276,059	240,548
Current period change in fair value of investments	408,457	796,753
Total increase in assets	**2,707,452**	**3,047,265**
Decrease in assets		
Death claims, Note 2(f)	1,971,000	1,561,500
Change in actuarial provisions, Schedule 2, Note 2(d)	1,191,400	912,200
The Civil Service Superannuation Board		
Administration fee	6,903	6,196
Investment management fee	10,880	9,375
Professional fees	3,252	5,679
Insurance carrier expenses, Note 8		
Premium taxes	35,840	32,597
Administrative fees	11,827	11,420
Conversion charges	-	22,518
Claims charge	2,436	1,804
Other	2,219	977
Total decrease in assets	**3,235,757**	**2,564,266**
(Decrease) increase in net assets	**$ (528,305)**	**$ 482,999**
Net assets at beginning of year	$ 3,501,875	$ 3,018,876
(Decrease) increase in net assets	(528,305)	482,999
Net assets at end of year, Exhibit A	**$ 2,973,570**	**$ 3,501,875**

THE PUBLIC SERVICE GROUP INSURANCE FUND
Notes to Financial Statements
for the year ended April 30, 2005

1. Nature of Operations

The Public Servants Insurance Act (the Act) provides for the establishment of the Public Service Group Insurance Fund (the Fund). The Civil Service Superannuation Board is responsible for the administration of the Fund and the group insurance policies agreed to by representatives of the employees and employers participating in the Fund as set out in insurance policies between the Government of the Province of Manitoba and the insurance company. The Fund's operations are reported separately for:

the Employees' Group Life Insurance Plan,
the Accidental Death and Disablement Plan, and
the Dependents' Group Life Insurance Plan.

This separate reporting is consistent with the financial arrangements with the insurance company.

The Fund's fiscal year coincides with the insurance policy year for each Plan.

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements of the Fund are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian generally accepted accounting principles.

(b) Investments

Investments are allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals. Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

(i) Short term investments are valued at market, which approximates cost.

(ii) Bond pooled fund is valued at year end market prices determined by independent sources.

(iii) Equity pooled funds are valued at year end market prices as listed on the appropriate stock exchange.

(c) Foreign currency translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year end and the resulting change is included in the change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(d) Provision for future claims/liabilities

A provision for future claims/liabilities for each Plan has been established using the latest triennial actuarial valuation report of the Fund as at December 31, 2003. This provision has been projected by Ellement and Ellement, consulting actuaries, to April 30, 2005.

(e) Investment income

Investment income is allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals.

2. Significant Accounting Policies (continued)

(f) Death claims

Death claims include current and prior year death and disablement claims paid up to June 1 following the year-end with date of deaths up to and including the current year-end.

(g) Expenses

Direct costs are charged to each Plan. The Civil Service Superannuation Board administration fee, investment management fee, and other indirect administration costs are prorated between Plans based on monthly unit values, which are based on contributions and withdrawals.

(h) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

3. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation, obtain the best possible return at acceptable risk and maintain the required liquidity, the asset mix is at 44% fixed income and 56% equity as at April 30, 2005.

Term to maturity	2005	2004
Less than one year	$ 8,904,636	$11,465,535
One to five years	13,766,595	13,349,987
Over five years	28,606,083	35,617,773
Total fixed income investments	$51,277,314	$60,433,295

Credit risk is the risk of loss from the failure of a counterparty to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities, established investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, 95% must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at April 30, 2005 external fund managers had entered into no forward foreign exchange contracts (2004 - $756,715) on behalf of the Fund.

4. Actuarial Valuations

In accordance with the Act, an actuarial report is required at least once every three years. The last triennial actuarial valuation report on the three plans administered by the Fund was prepared by Ellement and Ellement Ltd., consulting actuaries, as at December 31, 2003.

The actuarial report contemplates that the Fund and each Plan will continue to be in existence and that employees and dependents will continue to participate in these Plans on the completion of eligibility requirements. Significant long-term actuarial assumptions used in determining the provision for future claims/liabilities were:

Annual rate of return	6.00%
Salary escalation rates:	
(i) general increases	
a) inflation component	2.50%
b) productivity component	0.75%
(ii) service, merit and promotional increases	*

* the rates used vary by gender and age grouping from a high of 3.00% to a low of 0%

The valuation indicated the following net assets available for benefits:

	April 30, 2005 valuation projection Exhibit A	December 31, 2003 valuation
Employees' Group Life Insurance Plan	$ 963,884	$ 9,493,282
Accidental Death & Disablement Plan	$ 1,337,339	$ 803,968
Dependents' Group Life Insurance Plan	$ 2,973,570	$ 3,480,509

5. Termination of Policies

Upon termination of the policy in place for the Employees' Group Life Insurance Plan, the Accidental Death and Disablement Plan or the Dependents' Group Life Insurance Plan, the insurer will remit any net policy surplus as a final refund to the Fund for the applicable Plan. If there is a net policy deficit, a payment will be made to the insurer from the appropriate Plan's surplus funds. To the extent that the appropriate Plan's surplus funds are not sufficient to cover any net policy deficit, payment to the insurer will be made by the Minister of Finance.

6. Transfer of Employer and Employee Actuarial Surpluses

In 1996, the Government of the Province of Manitoba passed an amendment to the Act permitting a payment of an actuarial surplus in the Fund to be made to the Minister of Finance on behalf of the employers. The payment amount requires the actuary's approval and negotiated agreement between the employer and employees.

Based on actuarially determined employer surplus amounts as at December 31, 2003, agreements between the employers and their employees' unions were reached, and employer surplus payments were made as follows:

	Employees' Group Life Insurance Plan	Accidental Death & Disablement Plan	Total
The Province of Manitoba	$ 7,050,920	$ 4,731,983	$ 11,782,903
Manitoba Public Insurance Corporation	355,542	257,518	613,060
Total 2005 payments	7,406,462	4,989,501	12,395,963
The Civil Service Superannuation Board – 2004 payment	14,581	11,119	25,700
Total Transfer of Employer Actuarial Surplus	$ 7,421,043	$ 5,000,620	$ 12,421,663

Also, during the year the Employer Pension and Insurance Advisory Committee and the Employee Superannuation and Insurance Liaison Committee signed an agreement to distribute a portion of the employee Actuarial Surplus as at December 31, 2003 in the Employees' Group Life Insurance Plan to eligible employees and pensioners. Of the total employee Actuarial Surplus distribution of $5,100,947 reported, $3,708,398 is still payable at year end.

7. Status of Fund

The Government of the Province of Manitoba and Canada Revenue Agency (CRA) have had discussions concerning the status of the Fund for income tax purposes. CRA has now decided to defer those discussions until they complete their review of funded group life insurance plans and the employee benefit plan legislation.

8. Change in Insurance Carrier

Effective August 1, 2004, the contract with Canada Life Assurance Company was assumed by The Great-West Life Assurance Company.

9. Subsequent Event

On July 6, 2005, amendments to the Group Life Insurance Policy No.'s 330780 and 330785 with The Great-West Life Assurance Company were passed by Orders in Council and became effective on December 6, 2004. As a result, an additional $127,500 in group life paid-up insurance claims and $125,750 in dependent death claims will be paid in the 2005/2006 fiscal year relating to claims paid during this year.

Schedule 1

THE PUBLIC SERVICE GROUP INSURANCE FUND
Summary of Investments
As at April 30, 2005

	2005	2004
Fixed Income Investments		
Cash and short term		
Government and corporations	$ 10,137,038	$ 11,824,701
Bond pooled fund		
Domestic	41,140,276	48,608,594
Total fixed income investments	**51,277,314**	**60,433,295**
Equity Investments		
Pooled funds		
Domestic	36,367,718	33,869,201
Foreign	28,726,936	25,233,767
Total equity investments	**65,094,654**	**59,102,968**
Investments, Exhibit A	**$ 116,371,968**	**$ 119,536,263**

Schedule 2

THE PUBLIC SERVICE GROUP INSURANCE FUND
Schedule of Changes in Provision for Future Claims/Liabilities
As at April 30, 2005

	2005	2004
Employees' Group Life Insurance Plan		
Balance beginning of year	$ 96,974,994	$ 86,220,299
Transfer of actuarial surplus payments to employers		
Various employers, Note 6	(7,406,462)	(14,581)
	89,568,532	86,205,718
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(865,200)	2,838,000
Interest accrued	6,315,838	6,203,576
Changes in actuarial reserves	7,269,500	1,727,700
Subtotal, Exhibit B	12,720,138	10,769,276
Provision for future claims/liabilities, Exhibit A	**$ 102,288,670**	**$ 96,974,994**
Accidental Death and Disablement Plan		
Balance beginning of year	$ 7,031,723	$ 6,087,232
Transfer of actuarial surplus payments to employers		
Various employers, Note 6	(4,989,501)	(11,119)
	2,042,222	6,076,113
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(5,800)	(51,100)
Interest accrued	609,821	1,089,410
Changes in actuarial reserves	123,200	(82,700)
Subtotal, Exhibit C	727,221	955,610
Provision for future claims/liabilities, Exhibit A	**$ 2,769,443**	**$ 7,031,723**
Dependents' Group Life Insurance Plan		
Balance beginning of year	$ 3,500,600	$ 2,588,400
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(29,625)	371,100
Interest accrued	254,100	167,200
Changes in actuarial reserves	966,925	373,900
Subtotal, Exhibit D	1,191,400	912,200
Provision for future claims/liabilities, Exhibit A	**$ 4,692,000**	**$ 3,500,600**